DOCUMENT RESUME

ED 191 102 CS 502 996

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TITLE Movie Ratings and Revenues: Eleven Years of Success Ratios.
PUB DATE Aug 80
NOTE 26p.: Paper presented at the Annual Meeting of the University Film Association (Austin, TX, August 1980).

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Correlation: *Evaluation: Evaluation Methods: Film Industry: *Film Production: *Films: *Income: *Media Research: Popular Culture: Standards: *Success
IDENTIFIERS *Motion Picture Ratings

ABSTRACT

The relation between revenues from motion pictures and the picture ratings (G, PG, R, X) by the Motion Picture Association of America was examined. Successful films were those listed by "Variety" magazine as the top revenue producers for the given year. Data were collected for the years 1969-1979. The analysis showed that years in which fewer films were produced had greater ratios of successful films, usually over 25%. An annual market saturation point of about 400 films was evident. The two central rating categories, PG and R, dominated the system, accounting for 78.5% of all films rated. Films with PG ratings enjoyed the highest average success ratio of the four categories. Of the 1,836 films rated PG from 1969 to 1979, 491 or 26.7% were considered successful. The PG category had the largest number of successful films for each year in the study. Close behind PG in overall success was the G category, belying the myth that G ratings were "box office poison." Pictures rated G enjoyed a 24.2% success ratio over the entire period. Although more films were rated R than any other category, their success ratio was only 13.7%. The number of films rated R each year varied greatly, but the number of million dollar revenue producing R films was quite stable from year to year. The success ratio for X-rated films was only 5%. (RL)

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MOVIE RATINGS AND REVENUES:

ELEVEN YEARS OF SUCCESS RATIOS

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A Paper Presented
to
The University Film Association
34th Annual Conference
University of Texas at Austin
August 1980

CS502996

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Introduction and Purpose

The Motion Picture Association of America (MPAA) instituted a voluntary, four-category audience-suitability rating system on Nov. 1, 1968. In the first 11 years of the system's operation, about 5,000 feature films were rated by the Classification and Rating Administration (CARA), the MPAA's seven-member panel of evaluators. The MPAA estimates that "some 99% of the producers creating entertaining, seriously intended, responsible films (not hard core pornography) do in fact submit their films for ratings" (30, p. 6, emphasis in original).

Even before the system began operation, and continuing to the present, people speculated about possible effects of the various ratings on box office returns. The restricted ratings (R and X) were foreseen, on the one hand, as handicaps, since they would directly limit potential audience size. But on the other hand R and X were seen as symbols of "forbidden fruit" that might increase the attractiveness, and hence revenues, of these films. Similarly, the implications of the ratings of unrestricted films (G and PG) alternately were predicted to affect box office returns positively ("safe") and negatively ("childish"). Producers and distributors had their opinions of which ratings attracted and which repelled audiences, and they banked more frequently on some categories than on others.[1] But, though theories were advanced, no one knew.

Review of Literature

Published reports on the rating system have discussed controversies surrounding particular films and their ratings (5, 8, 20, 27) indicated suggestions for improving the system (10, pp. 101-108; 17, 22), and supported its voluntary nature (9, 14). Untested comments about and isolated examples of the audience appeal of various ratings are noted from time to time, and may be summarized as follows:

- G has been described as "box office poison" (15, 23, 29).[2]
- PG has been seen as a desirable category.[3]
- R, also seen as desirable (21, 34),[4] has been viewed as too broad a category (25).[5]
- X has been perceived as a category to be avoided (10; 28, p. 44).[6]

Although the ratings have provoked a good deal of speculation and debate, few empirical analyses have been conducted. Especially germane to the purposes of the study reported here is one finding of the House Subcommittee on Small Business Problems (discussed below). Their 1978 report made special note of the fact that "there have been no researched studies on the relationship between the various MPAA ratings and box office receipts" (28, p. 54). Among the empirical research on ratings that does exist are studies which have examined the public's awareness and use of the system (19, 31), the fairness with which ratings are assigned to independent producers as compared to major studios (28), and the mean revenues of the four categories over a two-year period (4).

In an early study, Robertus and Simors (24) discovered that teenagers were more likely than their parents to report use of the system in film selection. (Note that this finding is somewhat at odds with the system's ostensible purpose - that of providing advice for parents concerning their children's movie attendance.) More recently, Austin (3) reported that among high school students more than half (53.3%) indicated that a film's rating was either "very important" or "important" to their attendance decision. Unfortunately neither of these two studies focused in on specific rating categories nor the possible differential effects that may exist. One (exploratory) study (1), using an experimental design, has been conducted to ascertain the influence of ratings on movie attendance decisions; no significant difference ($p > .05$) was found between the four ratings and the subjects' (high school students) likelihood of film attendance.

Research conducted for the MPAA by the Opinion Research Corporation (19) indicated that, in 1977, 97% of both the total movie-going public (12 years old and over) and movie-going adults (18 and over) were "aware" of the rating system and virtually no one (less than 0.5%) had not heard of it. Valenti (31) reported that by 1974, 66% of the parents surveyed believed the rating system to be very or fairly useful as a guide for deciding what movies their children should see. However, this finding conflicts with two earlier reports. Yeager's 1971 study (33) found that the ratings were perceived as a form of censorship and that parents had skeptical reactions to the ratings. Similarly, O'Dell (18) reported that the rating system was <u>not</u> found to be held in high

esteem by parents.

In 1978 the House Subcommittee on Special Small Business Problems investigated whether or not the MPAA rating system discriminated against independent producers by assigning them more restrictive ratings for their films. In their Report, "the Subcommittee found that claims of discrimination were unfounded" and that "there was no evidence whatsoever that some productions are favored over others"(28, pp. 80, 77). Austin (2, p. 397) analyzed film ratings for the 1968-1977 period and reported, "Independent producers were found to have had significantly more of their pictures rated either R or X than did Major-Minor producers." Austin's finding, however, cannot necessarily be interpreted as an indication of discrimination on the part of the industry, MPAA, or CARA. That independents earned more R and X ratings might, for instance, mean that they produced pictures with more violence, sex, etc.

Austin and Simonet's (4) pilot study for the present research analyzed the relationship between ratings and distributor rentals for 1977 and 1978. Their findings indicated that: PG-rated films had the highest mean rentals among both all films rated by the MPAA and those films earning $1 million or more, films rated PG were significantly ($p < .001$) more likely to earn higher rentals than any of the other three categories when mean rentals for all films were compared, and no significant difference ($p > .05$) between mean rentals by MPAA rating were found among films which earned $1 million or more.

Problem and Procedures

The problem of this study was to devise and analyze "success ratios" for the various rating categories.

Producers can plan for a desired rating from the earliest preproduction phase of filmmaking.[7] Through careful scripting, shooting and editing, and through CARA's guidance in each phase, a desired rating can almost always be achieved.[8] In 1980, at least two films were released with what might be described as "self-assigned" ratings (William Friedkin's Cruising and Stanley Kubrick's The Shining). Given, then, the assumption that ratings are controllable production variables, this study was designed to answer a logical question of movie producers: What rating best ensures box office success? From the standpoint of investors in this high-risk industry: What is the safest rating to ensure favorable return on investment?

To answer this, we reviewed the first 11 full years of the ratings, essentially the entire history of the system to date. (Only part of the year's production was rated in 1968.) We analyzed the frequencies with which various ratings were assigned to features and the frequencies with which feature films in each category were "successful."

Minimal "success" was defined as revenues of at least $1 million (1969 dollars) in United States-Canada rentals, as reported in Variety. The floor of $1 million, the longstanding cutoff point of Variety's annual lists of top-grossing films ("Big Rental Films"), was adjusted for inflation, using the Consumer Price Index, to yield the values listed in Table 1. This procedure, adjusting the

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Table 1 About Here

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revenues to constant 1969 dollars, raised the level required for "success" each year until it became nearly $1.7 million in the last year of the study, 1979.

Individual films on this "successful" adjusted-million-dollar list were not necessarily profitable. For example, a 1969 film with a negative cost of $1.5 million (approximately the average budget of feature films that year[9]) probably would not show a profit with only $1 million in domestic rentals. To earn the double or triple returns commonly accepted as the profit point in the industry would require about $1.5 million in domestic rentals, plus the same amount in foreign rentals, plus television and nontheatrical sales.

Nevertheless, as a group, the films were "successful." They were the top 20 percent of revenue-earners. They represented the rule-of-thumb two films in 10 acknowledged to be profitable in the industry. Almost exactly that proportion (19.5%) of all films rated in the 11 years qualified for the "success" standard of this study. The "successful" film of this study was the one film of every five rated that qualified to be identified as a top-grosser in Variety (after Variety's qualifying standard was adjusted for inflation.)

Film grosses were recorded from the January anniversary issues of Variety in which the preceding year's top-grossing films are listed. Reissues were listed by Variety with the latest year's revenues only. In this study, reissues were treated as individual films. Therefore, the study might be described accurately as

dealing with releases, not titles.

Ratings were recorded from annual reports of CARA. For consistency, films originally rated either M or GP were counted in PG, the present-day category.

Results

Annual frequencies for all feature films rated by the MPAA since 1969, the number of films earning over $1 million, and corresponding success ratios are reported in Table 2. The data presented in Table 2 indicate that after 1969, when 25.8% of all

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Table 2 About Here

MPAA-rated films were successful, the industry suffered a severe five-year decrease in the percentage of films which were successful; from 1970 through 1974 the success ratio ranged from 15.1% to 16.0%. Beginning in 1975 the success ratio began to steadily improve (19.6%) reaching a peak of 30.5% in 1979. Further, as might be expected intuitively, Table 2 discloses that the fewer the number of films released (i.e., rated by the MPAA), the greater the annual success ratio. In 1969 the MPAA rated 325 films and the success ratio was 25.8%. It was not until 1977 when a similar success ratio was again achieved (24.3%), at which time 378 films were rated. Between 1969 and 1977 the number of features rated, in every year, never dips below 400 (431 films rated in 1970 was the low point). Conversely, during those years when the success ratio hovered about the one-quarter mark, the number of features rated

never exceeded 378. Therefore, the data in Table 2 suggest an annual market saturation-point of about 400 films above which one can expect notable reductions in success ratio percentages.

As is shown in Table 3, R was the category assigned most frequently during the first 11 years of the ratings, followed by

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Table 3 About Here

PG, then G, then X. In all, 41.3% of feature films were rated R; 37.2% were PG; 14.6% were G; and 6.9% were X. R was the largest category in seven of the 11 years. (In the other four, PG was largest.)

A randomized block analysis of variance test was performed on the number of films rated each year in each category. While the data are frequency data rather than interval data, it is felt that the nature of the responses and robustness of the technique will obviate any difficulties. The results of the analysis indicate that the ratings do not all have equal frequency of submission ($F = 79.4$, $df = 3, 30$, $p < .0001$). Duncan's multiple-range test indicates, at the 5% level of significance, that the number of R and PG features released during the period were not statistically significantly different, but they were significantly more frequent than the number of G films released, which in turn was significantly greater than the number of X films released.

The two centrist categories, PG and R, decidedly dominated the system. Together, they accounted for 78.5% of all films rated during the 11 years. Generally, the percentage of films rated in

these two categories increased over the years. In 1969, 68.3% of the films were PG or R; in 1979, this percentage was up to 84.5. A decline in number of G films accounted for most of the change.

PG enjoyed the highest average success ratio of the four categories in the 11-year history of the ratings. A total of 491 of the 1,836 films rated PG from 1969 to 1979 reached the million-dollar (adjusted) level of revenues, giving the category an overall success ratio of 26.7%. This was more than 7 percentage points higher than the success ratio for all films. The overall success ratio of 26.7% meant that a PG film had slightly better than one chance in four of garnering $1 million in rentals. Annual success ratios for PG films ranged from 16.6% in 1970 to 44.8% in 1979. In year-by-year success ratios, PG ranked first in six of the 11 years, ranked second (to G) in five years and ranked third (after G and R) in one year. Moreover, in six of the 11 years, the PG category alone accounted for more than half of that year's million-dollar films. The peak occurred in 1978, when 61.1% of the successful films were rated PG. The success ratio was tested for a difference in means by a randomized block analysis of variance. The ratio was first transformed by the arcsin transformation[10] to stabilize the variance. Results of the ANOVA routine indicated a significant difference among the mean success ratios ($F = 24.16$, $df = 3, 30$, $p < .0001$). Duncan's multiple-range test indicated that the mean success ratio for PG was not different from G, but they were significantly greater than the R success ratio, which in turn was significantly greater than the success ratio for X.

Although PG was not the largest category (the R category had

201 more films than PG), the PG category included every year the largest number of successful films. In an average year, R led PG in releases by about 18 films, but PG led R in successful films by about 19 films. PG also accounted for the largest percentages, each year, of successful films among all features rated. In these statistics, whose denominator indicates total industry production (not simply the total in the category), PG in recent years outperformed R by about 2 to 1 and G by about 6 to 1.

Close behind PG in overall success ratios came the G category, belying the myth that G ratings are "box office poison." Over the 11 years, G pictures enjoyed a 24.2% success ratio. The G ratios, however, were based on smaller denominators; the number of films rated G every year was always less than half the number rated PG. In 1979, G films enjoyed the unusually high success ratio of 54.6%.

More films were rated R than any other category over the 11 years, but the R films' success ratio was only 13.7%. While the number of films rated R each year varied greatly, ranging from 83 to 276, the number of million-dollar R films was quite stable from year-to-year, ranging from an all-time low of 20 per year to an all-time high of only 33. So while success ratios varied considerably in this category (from 9.8% to 24.1%) there seemed to be a constant and predictable market for a certain volume of R films. From 20 to 33 R-rated films reached the adjusted-million-dollar level each year no matter how many were released.

The success ratio for the X category was only 5.0%. From 1977 on, not a single X film was reported in Variety to have earned $1 million (adjusted) in domestic rentals.

The number of successful films in each of the four categories are not all equal based on a randomized block ANOVA ($F = 79.43$, $df = 3, 30$, $p < .0001$). Duncan's test indicated that the four categories were significantly different from each other ($p < .01$).

Over the 11 years, the unrestricted categories (G and PG) combined accounted for 69.1% of the successful films, while the restricted categories (R and X) combined accounted for 30.9%.

Discussion

It is not possible to infer causal explanations for any relationships that appeared between ratings and revenues. Other variables have not been controlled. However, the differences that appeared in success ratios call for at least tentative explanations.

The high success ratios found for PG films might be explained by their accessibility to the entire audience and by their lack of negative content associations of either G (perhaps too "childish") or of the restricted categories (perhaps too "adult"). The findings of this study regarding PG tended to confirm the trend observed in Austin and Simonet's analysis of mean revenues by category (4). PG was the leading category in that study also.

More surprising were the success ratios of the much-maligned G films. Most likely, G films benefited from universal accessibility. But another explanation could be that the producers of G films simply know their audiences and their marketplaces better than do the producers of restricted films. Successful G-rated four-wallers that seemed to benefit from careful marketing would be

cases in point. Put another way, a relatively high proportion of G-film producers may go ahead with a production only when a hit is assured.

The relatively low success ratios of both restricted categories could be explained by the obvious limitation that the voluntary rating system imposed on potential audience size. If this were the reason, it also would be confirmation that the rating system was accepted by the public and/or enforced by theater operators. But other possible contributing factors could be:

- Limitations on bookings and advertising of restricted films.
- Underreporting in Variety of revenues from drive-in R's and porno-house X's.
- Irrelevance of the success standard of the study because of low production budgets for some restricted films.

In general, the study found that the categories that were most popular with audiences were not the categories that were most popular with producers. If producers went solely by the findings of this study, they would produce more G films, fewer R films and virtually no X films. That might work only to a certain point if demand for G films proved to be no more elastic than that for R. However, the changes would have the advantage of evening out the frequencies of three categories; presently, we are moving toward a two-category system (PG and R). In the opinion of the authors, this evening out could be aided by narrowing of the criteria for PG and R. In addition, X could be widened to include other kinds of adult material besides hard-core sex. (In 1969, when X was perceived more broadly than it is today,[11] the category had a

success ratio of 24.9%.) Adding additional categories would not help the audience, in our opinion, but institutionalizing explanatory notes along with the ratings would likely improve the system's utility.

Footnotes

[1]Munson (16, p. 284) notes that "Distributors today are hesitant to buy certain films before screenings or release because of the ratings that will be imposed. Many others welcome ratings that condemn. This condemnation is the basis for their entire sales program."

[2]Director Joe (Benji) Camp has noted that "G is really tough" (7). Sounder producer Robert B. Radnitz testified at a House hearing (28, p. 36) that a G rating was "an audience turn off" and that "Because of the public's antipathy to the G, we filmmakers are eschewing certain fine film subjects, and the treatment of same."

[3]Among other films (see 26), Saturday Night Fever was re-edited in order to qualify for a PG rerelease. (In this case, the PG version, with about $6.5 million in rentals, was much less successful than the R, which earned around $70 million [21].) Jeffries (12, p. 51) asserts that "Many producers try to ensure a PG or R rating by the gratuitous addition of 'strong' language or nudity or violence." With Star Wars, for instance, 20th Century-Fox pushed for a PG rating (7). Walt Disney Productions, the studio with an unbroken tradition of G-rated films, began releasing PG films in 1979 with Gary Nelson's The Black Hole. Dana Lombardo, Disney's marketing research manager for motion pictures and television, explained that the acceptability of PG ratings was pre-tested in focus groups with parents, young adults, and children.

"What we've discovered," she said, "is that the Disney name is a rating in itself, which means strong moral values and safe family entertainment." A PG would only indicate a little more sophistication, the test subjects felt (13).

[4]Pollock (21, p. 4) cites "a belief held by most segments of the movie industry: that teen-agers, who constitute the most dedicated movie audience, simply prefer to taste the forbidden fruit of R-rated movies."

[5]Ryan (25) quotes producers' complaints that The Blue Lagoon and Nijinsky should not be placed in the same category as Cruising. The PG rating, too, has come under fire from some groups as being too expansive (6).

[6]Farber (10, p. 48), a film critic and, for six months, a member of CARA wrote that "...an X rating cuts a film's revenue by as much as fifty percent chiefly as a result of ... theater and newspaper bans [on advertising] . . . . the X rating has become a tremendous liability." Parenthetically, Farber noted that "an R rating may chop twenty percent off a film's earning potential." See also (10, pp. 46-54).

[7]The New York Nights Company offering circular September 17, 1979, described a proposed film for which no cast had been contracted, but prospective investors were told, "The picture will be designed and shot for an MPAA 'R' (Restricted) rating."

[8]See Farber (10, pp. 55-72) who states that "Because of its ties to the studios, the board [CARA] has always seen itself as working for the industry - and this now means 'arranging' pictures to give a member company the rating it wants whenever possible" (p. 59). The most current example of a filmmaker who "negotiated" for a rating is Brian De Palma (32). When Dressed to Kill was first submitted to the MPAA, De Palma was advised that the film would probably be rated X, "a financial kiss of death" (32, p. 13). De Palma re-cut and re-submitted his film three times before CARA assigned an R rating.

[9]Based on industry estimates as reported in (11, p. 36A).

[10]See George W. Snedecor and William G. Cochran, Statistical Methods, 6th ed. (Ames, Iowa: Iowa State University Press, 1967), pp. 327-329.

[11]A film such as Russ Meyer's Cherry, Harry and Raquel, for instance, which was rated X in 1969, most likely would be rated R today.

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TABLE 1

MINIMAL DOMESTIC RENTALS USED IN SUCCESS RATIOS

Year	Revenues
1969	$1,000,000
1970	$1,096,000
1971	$1,160,000
1972	$1,193,000
1973	$1,242,000
1974	$1,325,000
1975	$1,440,000
1976	$1,497,000
1977	$1,560,000
1978	$1,632,000
1979	$1,683,000

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical Workers, U.S. city average (1967 = 100, renormed to 1969 = 100). Figures for 1969 through 1977 are based on annual average of indoor movie admissions index, which was discontinued in June 1978. The June 1978 figure was used for 1978 (June and July figures normally approximate the annual average). The figure for 1979 was interpolated from the index for all admissions.

TABLE 2

FREQUENCIES AND SUCCESS RATIOS OF MPAA-RATED FEATURE FILMS: 11-YEAR SUMMARY

Year	Features Rated	Rentals Over $1M*	Success Ratio
1969	325	84	25.8%
1970	431	69	16.0%
1971	513	79	15.4%
1972	540	85	15.7%
1973	584	90	15.4%
1974	523	79	15.1%
1975	459	90	19.6%
1976	486	94	19.3%
1977	378	92	24.3%
1978	334	90	26.9%
1979	361	110	30.5%

*Domestic rentals in 1969 dollars.

TABLE 3

MPAA RATING FREQUENCIES AND SUCCESS RATIOS, 1969-1979

Year	G Films Features Rated	G Films Rentals Over $1M*	G Films Success Ratio	PG Films Features Rated	PG Films Rentals Over $1M*	PG Films Success Ratio	R Films Features Rated	R Films Rentals Over $1M*	R Films Success Ratio	X Films Features Rated	X Films Rentals Over $1M*	X Films Success Ratio
1969	81	28	34.6%	139	32	23.0%	83	20	24.1%	22	4	18.2%
1970	67	19	28.4%	145	24	16.6%	177	22	12.4%	42	4	9.5%
1971	90	21	23.3%	188	33	17.6%	186	22	11.8%	49	3	6.1%
1972	90	15	16.7%	230	43	18.7%	209	26	12.4%	11	1	9.1%
1973	87	20	23.0%	193	41	21.2%	276	27	9.8%	28	2	7.1%
1974	75	13	17.3%	186	35	18.8%	238	30	12.6%	24	1	4.2%
1975	62	11	17.7%	164	52	31.7%	208	26	12.5%	25	1	4.0%
1976	62	13	21.0%	150	57	38.0%	214	23	10.7%	60	1	1.7%
1977	45	14	31.1%	149	54	36.2%	160	24	15.0%	24	0	0.0%
1978	39	8	20.5%	147	55	37.4%	126	27	21.4%	22	0	0.0%
1979	22	12	54.6%	145	65	44.8%	160	33	20.6%	34	0	0.0%
Annual average	65.5	15.8		167.0	44.6		185.2	25.5		32	1.6	
Total	720	174	24.2%	1,836	491	26.7%	2,037	280	13.7%	341	17	5.0%

*Frequencies of films with domestic rentals over $1 million in 1969 dollars.